

# THE EDUCATION OF A MARKETPLACE STARTUP

## *A Guide to Iceland case study*

### SETTING THE STAGE

In February 2012, the Icelandic Tourist Board published a report on the state of the Icelandic Travel Industry. The report draws a picture of an industry in rapid expansion. Business was indeed booming, with visitor numbers going up by 19.2% in 2012 compared with the year before.

Visitor volumes had been trending upwards since the collapse of the Icelandic króna in 2008 and in order to build on that momentum, the Icelandic government had sanctioned a campaign under the name of Inspired by Iceland, spending a reported \$5.7m on international marketing. The total budget of the campaign to-date is unknown.

Fast forward to May 2016. The inspiredbyiceland.is website generates around 6K visits per month and visiticeland.com – which is Iceland’s official tourism information site – gets around 80K visits a month.

At the same time, guidetoiceland.is – a website that in 2008 wasn’t even a registered domain for another four years – is getting more than 500,000 visits a month. As this is written, guidetoiceland.is is listed as one of the top 700 global websites in the category Tourism by SimilarWeb, a leading authority in tracking and analysing website visits.

Guide to Iceland was founded in 2012 by 3 individuals with no prior experience in the travel industry. So, how does a bootstrapped startup company get to become one of the most prominent online suppliers of content and activities in such a short time, generating traffic that dwarfs older, established and properly capitalized organizations? Answering this question will be the subject of this case study of Guide to Iceland and its proprietary marketplace solution.



## THE ORIGINAL IDEA

On September 18, 2012, the domain [guidetoiceland.is](http://guidetoiceland.is) was registered by the Icelandic .is registrar. The new owners of the domain were three entrepreneurial individuals with no prior experience in the tourism industry who had an idea that was as simple to explain as it was difficult to execute.

Their aim was to build an online marketplace that would generate value to everyone who wanted to participate in it. The strategy was three-pronged:

**(1)** By allowing locals to write articles on the platform and incentivizing them through a proprietary affiliate system that would give them a fee if a trip they recommended would be booked by site visitors.

**(2)** Once on the website, visitors would be able to browse through a wide variety of activities and find authentic and unique travel information provided by the local community.

**(3)** Booking a trip directly from the website would have to be a seamless process. They would eliminate the need to research and book through a different number of websites and marketplaces. Instead, they would offer users a one-stop shop for everything they need in Iceland, whether it be things to do, accommodations, car rentals or just travel information.

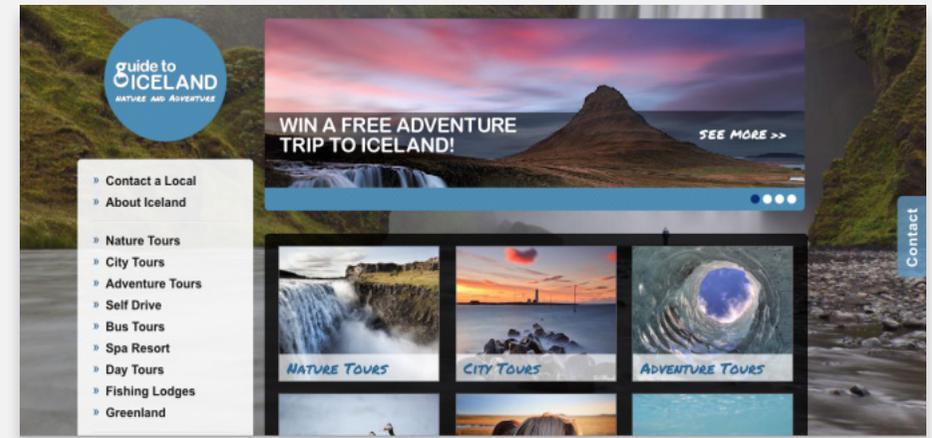
## THE TEST

In November 2012, a very raw Guide to Iceland website went live with eight Locals that a visitor could connect with and a handful of trips to book. The team was still working on the backend of the system but worked simultaneously at building up content and introducing the platform to tour operators and potential bloggers.

*“When we started we were very excited and were expecting traffic and sales to start flying, but what followed was a very stagnant trend in visits on the site. It was a very anxious time, because we simply weren’t hitting our growth targets,”* says Ingolfur Shahin, one of the founders and COO of Guide to Iceland.

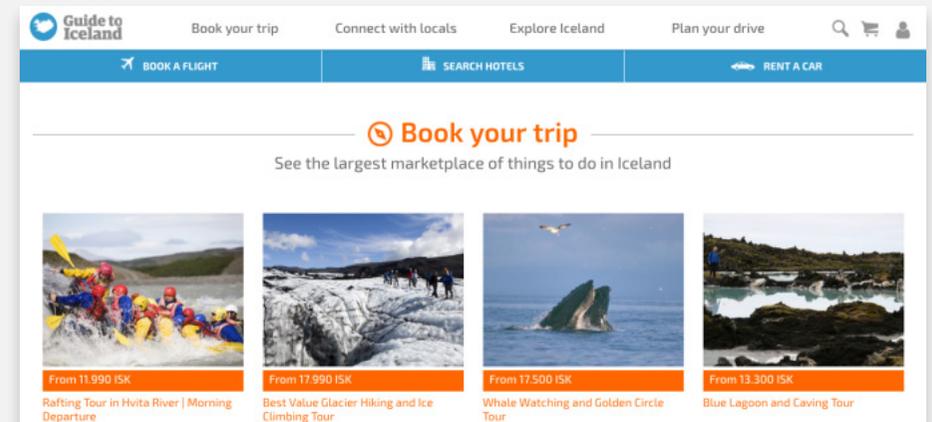
In the ensuing months, the team worked relentlessly on further developing the website and business model, and, after months of coding and testing, the company launched its proprietary marketplace platform in August 2014. Critical features had been added to the website, such as a proprietary SEO tool and end-to-end messaging platform. The dealer network had grown and a comprehensive content marketing plan was being executed through various channels.

before



| An early version of Guide to Iceland frontpage in March 2013 (source: the Wayback Machine) |

after



| Guide to Iceland at launch in August 2014: A brand new look |

"During the test period, we were basically testing out new things and constantly adding new features to the platform, once we realized there was a need for them," explains Ingolfur. "When we launched we had around 200 bloggers and 350 suppliers, which we had worked hard to get into the system over a period of one and a half years."

"It was also very important for us that the customer service would be outstanding. The reviews that we would get initially would effect the possible growth trajectory for the business. Though visitors are essentially booking a trip with another company, our brand is facing them and the service that they get will be reflected upon our brand. So, customer satisfaction has from the beginning been a primary goal for us" according to Ingolfur. "We added a best price guarantee to our offering, so if you book a trip with us but find it cheaper elsewhere, we'll match that price and refund you the difference."

Although Guide to Iceland had not gone unnoticed - it was publicly voted Icelandic Website of the Year in 2013 and the Most Influential Icelandic Company on Social Media in 2014 at the Nexpo awards - sales had not been growing in line with website visits.

## THE LAUNCH

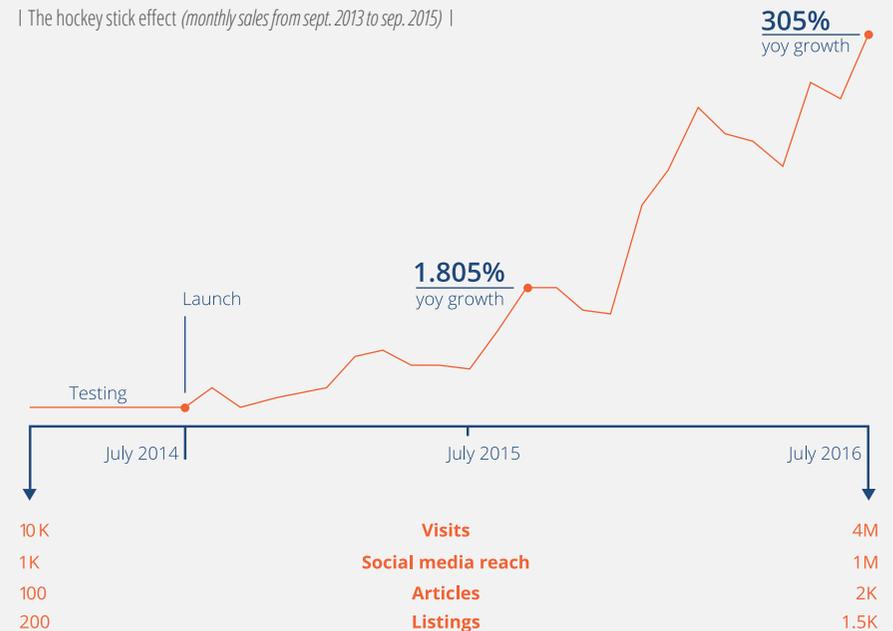
In April 2014 the company deployed its Travelshift marketplace platform. In the run-up to peak season, sales had begun to pick up as the focus on great content and inventory had begun to bear fruit with higher ranking on Google and good reviews by customers.

But it wasn't until the company would launch its 2.0 version of the platform, that things would really begin to pick up. It's interesting to look at the chart showing sales through time as the hockey stick effect is so clearly visible.

The key driver of sales growth was the recruitment of suppliers into the platform. "After the summer season in 2014, we started a serious push to get vendors to sign up to the marketplace. We wanted to appear bigger than we really were, so we hired a telemarketing agency for a direct marketing campaign. The clatter of the call center made it sound like we much bigger than just three people in a small office," says Ingolfur.

"As our inventory grew bigger we could also see clearly how our conversion rates and average sales per ticket increased. After the winter season of 2015, it was rinse and repeat, as we launched another recruitment push. Then when the summer season of 2015 came, we were already the leading marketplace for travel products in Iceland."

| The hockey stick effect (monthly sales from sept. 2013 to sep. 2015) |

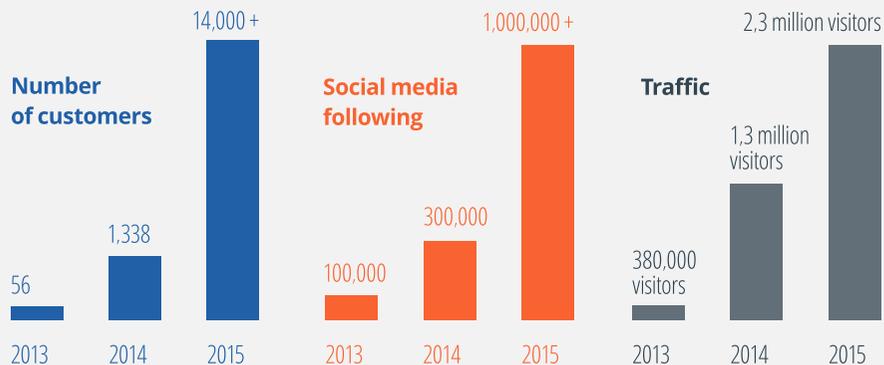


## GETTING TO KNOW YOUR CUSTOMER

The summer of 2015 was a big victory for Guide to Iceland and its growth rate passed that of the general tourism industry by miles. One of the key reasons for the dramatic capturing of market share was a result of a strategic maneuver whereby the company invested its resources to better service tourists from non-english speaking countries. Key hires were made and the companies tour agent arm was structured in team-handling content generation and service to specific languages. As a result, Guide to Iceland is the primary online brand for traveling to Iceland in China and no other website parallels Guide to Iceland in content about visiting Iceland in Chinese.

*"We saw a clear turning point once our inventory was sufficiently diverse, so that now we effectively aggregated the market to the extent that we were offering way more variety than the traditional operators. That was complemented by our multi-language content push and we really started seeing things take off. When I look at the numbers, it seems like things erupted all at once, but the reality is that underneath the surface the volcano had been steadily building momentum through our efforts"* says Xiaochen Tian, who is one of the founding partners of the Guide to Iceland team.

| The key performance metrics |



| Guide to Iceland in Chinese: A crucial market segment |



## CONTENT IS NOT JUST WHAT YOU READ

The dominant sense of a human beings is sight. Around thirty to forty percent of our cerebral cortex is devoted to vision (touch is about 8 percent and hearing around 3 percent). Our eyes are naturally drawn to images.

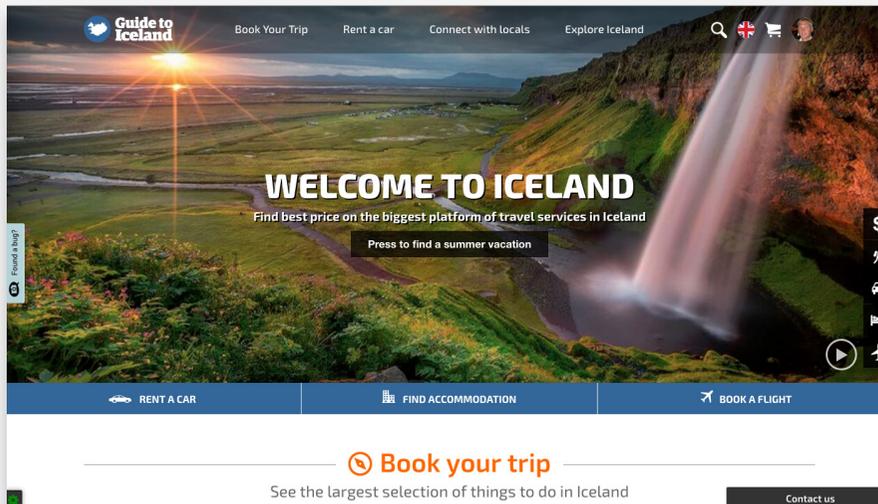
Think about any content you might stumble upon online. Research has shown that online articles with relevant images get 94% more views than ones without images. Having relevant images as part of online content increases engagement rates dramatically.

But there is more to it. Images in content marketing have to be used strategically. That means

optimizing the use of the images in relation to SEO and content marketing. Aspects such as using proper descriptions and naming, alt tags and image sizing are all relevant variables that a content management system needs to handle.

One of the founders of Guide to Iceland is renowned nature photographer Iurie Belegurschi. Therefore, Guide to Iceland since its inception has had access to an outstanding image portfolio capturing the essence of Icelandic nature. Currently there are more than 100,000 images being used on Guide to Iceland.

| Guide to Iceland has always been very visual |



## SEARCH ENGINES AND TOURISM

The importance of search in the tourism industry is well researched and documented. Research sanctioned by Google in 2014 showed that 57% of respondents start their travel arrangements with some kind of internet search.

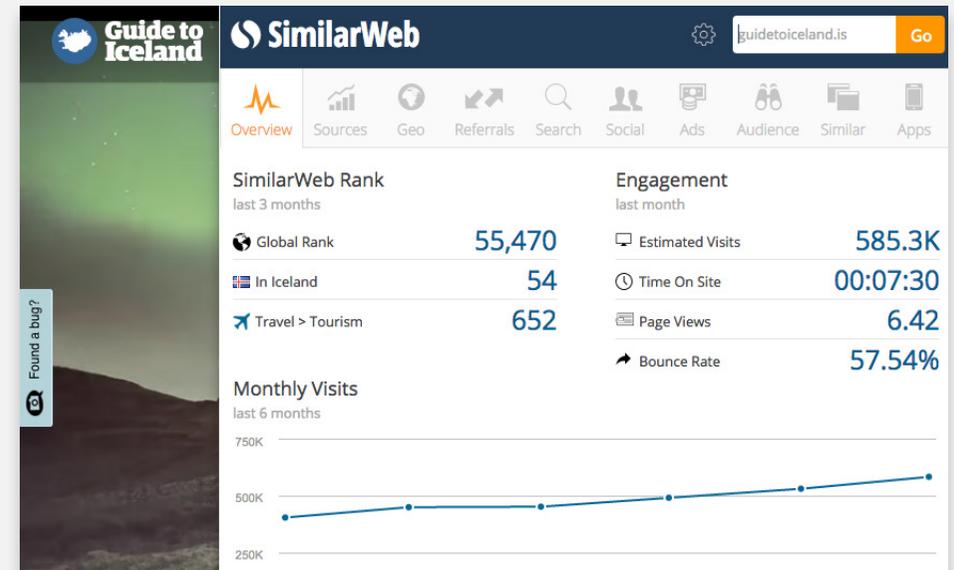
From a historical perspective, the reliance on data has steadily been transforming the industry of travel and tourism since the first online systems were implemented. Not only has this resulted in immense productivity gains, but it has shifted power

| Performance metrics of Guide to Iceland as of 18.08.2016 |



| Reviews matter |

towards the consumer, through ease of access to important elements like price discovery and reviews. The competitive advantage in the industry has moved from owning the supplier relationships towards owning the consumer relationship.



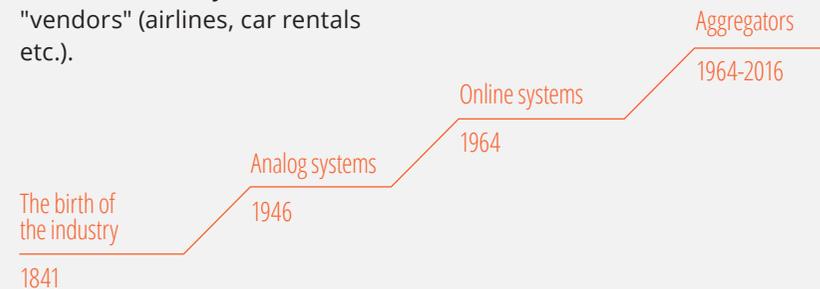
## IF ONE WERE TO EXPLAIN THE HISTORY OF TRAVEL TECHNOLOGY IN VERY BRIEF TERMS, IT WOULD GO SOMETHING LIKE THIS:

### Supply Creation & Management

- With the industrial revolution came the development of mass transportation. It is therefore fitting that one of the earliest known travel agency contracts came to existence in 1841 when none other than a Baptist priest by the name of Thomas Cook organized a trip for a group of his temperance campaigners with the Midland Railway, negotiating a commission for the booking. The technology used for the booking would have been limited to a pen and paper.
- The systemization of travel planning came into existence with the birth of the modern airline industry. In the 1950s, it would take a travel agent up to 90 minutes to complete a customer booking. At that time, agents used a so-called "request and reply" system. This was a very problematic and time consuming system, especially when flights were close to fully booked. In 1939, American Airlines switched to a system called "sell and report" but concluded that it was not sufficient to solve the problem.
- With the invention of the Reservisor and its initial implementation in 1946, immense productivity increases were achieved. This technology was further developed with the introduction of the Magnetic Reservisor in 1952. An improved version, installed at America's New York West Side Terminal in 1956 had storage for 2,000 flights 31 days into the future, and improved access times to about half a second. American Airlines later developed the Reserwriter, a solution that used punch cards for storage, but progress was still hampered by manual input, with high amount of bookings containing input errors.
- One of the first online systems in history was the SAGE system. It was developed by IBM for the US Air Force in the 1950s. In 1957, IBM and American Airlines signed a contract for the development of SABRE, which utilized the know-how IBM had built up with the SAGE system to develop one of the first online travel booking systems, trailing the Canadian Reservac system by about two years.

### Sales & distribution

- In the pre-internet era of the travel agency industry, travelers were dependent on travel agents for information gathering and for planning a trip. With the creation of the personal computer, the internet and IT, the ability to collect information on a scale previously unfathomable became a reality.
- The travel agents experienced great efficiency gains when they had access to the computer systems of the Airline companies. The access for travel agents to reservation systems such as SABRE and Apollo (United Airlines) marked the birth of the Global Distribution Systems (GDS). A GDS is not a reservation system, but a system that allows travel agencies to gain access into the reservation system of the "vendors" (airlines, car rentals etc.).
- The creation of the World Wide Web and the creation of the search engine transferred the power of information and informational discovery to the travel to a large extent. The concept of the meta-search model was born somewhere in the 1990s and was based on the idea of aggregating data and allowing an end user to efficiently sort that data. Today, the most renowned travel-related search engines are either horizontally or vertically organized; this includes TripAdvisor (reviews), KAYAK (USA), Expedia (accommodation), Lilligo (France), Skyscanner (flights).



## HOW DOES DAVID STAND A CHANCE AGAINST THE GIANT?

The ability to scale in the post-internet era has brought with it the existence of travel behemoths such as TripAdvisor, Expedia, Priceline and the likes. These companies have enormous inventories, branding power and capital. But on the flip side, their immense scale also makes them less competitive in certain areas.

The case of Guide to Iceland demonstrates that the company has been able to build a very competitive product offering by being highly specialized.

In the world of travel and travel products, the future has not been discovered yet.

By using **Guide to Iceland** instead of global powerhouse brands, such as Expedia, Booking or Viator, a traveler to Iceland has more variety of niche products, access to more relevant content and a much higher quality of service.

## CONCLUDING REMARKS

In less than two years the Guide to Iceland marketplace went from being non-existent, to being one of the largest travel companies in Iceland. The growth was propelled by the technology of the Travelshift marketplace solution.

By using the Travelshift platform, Guide to Iceland managed to capture an audience, to offer them travel products online in a highly sophisticated way and increase the efficiency of the booking process through specifically designed backend features.

The Travelshift platform is a turnkey solution that helps you build your marketplace in a step by step process, while at the same time minimizing the risk of technology cost overruns.

Apply for your marketplace at [Travelshift.com](https://Travelshift.com).

